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March 13, 2015

Ms. Virginia Cahill  
Comptroller  
Town of Natick, MA  
13 East Central Street  
Natick, MA 01760

**RE: July 1, 2014 Actuarial Valuation of Postretirement Welfare Benefits**

Dear Virginia,

Enclosed are two copies of the report covering the July 1, 2014 valuation of postretirement benefits offered to current and future retirees of the Town of Natick, MA.

The financial results of the actuarial valuation are summarized in the report. The Executive Summary highlights the results of the valuation. Additional information summarizing census information, actuarial assumptions, and the methodology for developing them, as well as a glossary of selected terms used in this study, is also included in the report.

All calculations are made in accordance with our understanding of the provisions of the Statement of Governmental Accounting Standards Board Number 45 (GASB 45).

Please call me if you have any questions.

Sincerely,

**USI CONSULTING GROUP**

A handwritten signature in blue ink, appearing to read "R. Webb".

Robert W. Webb, FSA, EA, MAAA  
Vice President and Actuary

Enclosures



**A Postretirement Welfare Benefit  
GASB 45 Actuarial Valuation  
As of July 1, 2014**

For:

**Town of Natick, MA**

Prepared by:  
The USI Consulting Group

March 13, 2015



March 13, 2015

Town of Natick, MA  
13 East Central Street  
Natick, MA 01760

**RE: July 1, 2014 Actuarial Valuation of Postretirement Welfare Benefits**

We enclose the report covering the actuarial valuation of the postretirement medical insurance plan for the employees of the Town of Natick, MA as of July 1, 2014. The numbers presented in this report reflect the adoption, by the Town of Natick, MA, of the Statement of Governmental Accounting Standard No. 45 (GASB 45).

The financial results of the actuarial valuation are summarized in the report. The Executive Summary highlights the results of the valuation, including the calculation of the Annual OPEB Costs for the fiscal years beginning July 1, 2014 and July 1, 2015.

Additional information summarizing census information, actuarial assumptions, and the methodology for developing them, as well as a glossary of selected terms used in this study, are also included in the report.

All calculations are made in accordance with our understanding of the provisions of the Statement of Governmental Accounting Standards Board Number 45 (GASB 45). We believe this report provides all of the information your auditor requires. We would appreciate a copy of the footnote to your financial statement related to the postretirement benefits.

Respectfully submitted,

USI Consulting Group

A handwritten signature in blue ink, appearing to read "Robert W. Webb".

Robert W. Webb, FSA, EA, MAAA  
Vice President and Actuary

A handwritten signature in blue ink, appearing to read "John Sheaves".

John Sheaves  
Senior Actuarial Consultant



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## Section I

# Executive Summary

The section presents the results of the July 1, 2014 valuation. The first section provides a brief summary of the valuation results. The Executive Summary Detail provides a more detailed development of the expenses and liabilities. Items I through V show the development of the Annual Required Contribution (ARC). Items VI through IX show the calculation of the Annual OPEB Cost.

## EXECUTIVE SUMMARY

### Introduction

This report details the development of the Annual OPEB Cost for the Fiscal Year ending June 30, 2015. Estimated June 30, 2015 and June 30, 2016 disclosures are included in Section III

The liabilities developed in this report are only valid for purposes of meeting employer accounting requirements as required by Statement of Governmental Accounting Standards Number 45 (GASB 45). Liabilities developed for other purposes could be significantly different than those shown in this report.

### Summary of Results

The Actuarial Accrued Liability and Normal Cost are calculated as of the valuation date. The Annual OPEB Cost and Expected Benefit Payments are for the year beginning on the valuation date. Additional detail is developed in the exhibits included in this actuarial valuation report.

#### Fiscal Year Ending June 30, 2015

<i>Beginning of Year Net OPEB Obligation (NOO)</i>	\$47,893,086
<i>Actuarial Accrued Liability (AAL)</i>	\$114,685,161
<i>Actuarial Value of Assets</i>	\$0
<i>Unfunded Actuarial Accrued Liability (UAAL)</i>	\$114,685,161
<i>Annual Required Contribution (30 year amortization)</i>	\$11,195,192
<i>Annual OPEB Cost</i>	\$10,676,107
<i>Expected Benefit Payments</i>	\$3,407,328

#### Fiscal Year Ending June 30, 2016

<i>Beginning of Year Net OPEB Obligation (NOO)</i>	\$55,161,865
<i>Actuarial Accrued Liability (AAL)</i>	\$121,230,024
<i>Actuarial Value of Assets</i>	\$0
<i>Unfunded Actuarial Accrued Liability (UAAL)</i>	\$121,230,024
<i>Annual Required Contribution (30 year amortization)</i>	\$11,802,164
<i>Annual OPEB Cost</i>	\$11,138,915
<i>Expected Benefit Payments</i>	\$3,671,192

### Economic Assumptions

The employer, with the approval of the auditor, is responsible for selecting the economic assumptions as of the disclosure date. The following table details the selected economic assumptions for the current fiscal year:

<u>Assumption Selection Date</u>	<u>July 1, 2014</u>
<i>Funding Interest Rate*</i>	4.00%
<i>2014 Medical Trend Rates</i>	9.00%
<i>Ultimate Medical Trend Rate</i>	5.00%
<i>Year Ultimate Trend Rates Reached</i>	2018
<i>Annual Payroll Increase</i>	2.50%

\* Reflects current funding policy (assumes no funding).

## **EXECUTIVE SUMMARY (cont.)**

### **Experience Gains and Losses**

The plan had an accumulated experience gain over the past two years, primarily due to post-65 health care costs decreasing over the last two years, offset somewhat by changes made to the actuarial assumptions. The impact of the gain on the actuarial accrued liability is provided in Appendix II.

### **Changes included in current valuation**

The plan assumptions that were changed include the medical trend rates and demographic (retirement, termination, and disability) rates. Demographic rates for Town employees were updated to be consistent with the Town's Contributory Retirement plan as outlined in the January 1, 2013 valuation completed by the Segal Company. Demographic rates for the Teachers were updated to be consistent with the assumptions outlined in the January 1, 2014 MTRS valuation. These assumptions are summarized in Section IV of the report. The impact on plan liabilities is shown in Appendix II in Section V.

### **Accounting for Postretirement Benefits**

Government Accounting Standard No. 45 (GAS 45) addresses the accounting and financial reporting requirements by Employers for Postemployment Benefits Other than Pensions (OPEB). Employers that are required to follow Government Accounting Standards are subject to this standard. The statement does not require that the benefits be pre-funded, however, it defines a financial framework for assessing the costs, design, and sustainability of OPEBs offered by employers.

This report presents the annual expense required to be recognized by the plan sponsor for purposes of complying with the accounting requirements of Governmental Accounting Standards Board Statement No. 45. This report also provides the information needed to prepare the footnote in your financial statements related to your postretirement benefit plans.

The Annual Required Contribution (ARC) and Annual OPEB Cost are developed in the Executive Summary Detail included in this section. Section III presents the disclosure information, including the development of the Net OPEB obligation based on expected contributions / benefits to be paid during the fiscal year.

### **Actuarial Certification**

The financial results of the actuarial valuation are summarized in this report. The valuation has been prepared as of July 1, 2014. The detail charts included in this Executive Summary highlight the results of the valuation. Additional information summarizing the census, actuarial assumptions, plan provisions, and a glossary of selected terms used in this study are also included in this report.

The valuation is based on the October 1, 2014 census data and July 1, 2014 plan information as provided by the employer. We have reviewed both the census and financial data for reasonableness, but have not completed an independent audit of the information.

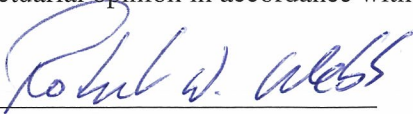
All costs, liabilities, and other factors under the plan were determined in accordance with generally accepted actuarial principles and procedures. The calculations are consistent and undertaken with our understanding of Statement of Governmental Accounting Standards Number 45 (GAS 45). In our opinion, the actuarial assumptions are reasonable, taking in account the experience of the plan and reasonable expectations and, individually represent our best estimate of the anticipated experience under the plan.

**EXECUTIVE SUMMARY (cont.)**

**Actuarial Certification (cont.)**

I have no relationship with the employer or the plan that would objectively impair, or appear to impair, my ability to perform the work detailed in this report.

I certify that I am a member of the American Academy of Actuaries and meet its Qualification Standards to provide an actuarial opinion in accordance with GASB 45.



Robert W. Webb, FSA, EA, MAAA  
Vice President and Actuary



Adeniyi Olaiya, ASA, MAAA  
Associate Vice President and Actuary

**EXECUTIVE SUMMARY DETAIL**  
**GASB 45 LIABILITIES, ANNUAL REQUIRED CONTRIBUTION**  
**AND ANNUAL OPEB COST FOR 2014 BY BENEFIT**

	<u>Medical</u>	<u>Life</u>	<u>Total</u>
<b>I. Present value of Future benefits</b>			
A. Retirees/Disableds	\$55,311,556	\$795,085	\$56,106,641
B. Active Employees	<u>\$121,263,261</u>	<u>\$613,887</u>	<u>\$121,877,148</u>
C. Total	\$176,574,817	\$1,408,972	\$177,983,789
<b>II. Actuarial Accrued Liability</b>			
A. Retirees/Disableds	\$55,311,556	\$795,085	\$56,106,641
B. Active Employees	<u>\$58,183,276</u>	<u>\$395,244</u>	<u>\$58,578,520</u>
C. Total	\$113,494,832	\$1,190,329	\$114,685,161
<b>III. Actuarial Assets</b>	\$0	\$0	\$0
<b>IV. Unfunded Actuarial Accrued Liability (UAAL)</b>	\$113,494,832	\$1,190,329	\$114,685,161
<b>V. Annual Required Contribution (ARC)</b>			
A. Normal Cost	\$5,198,713	\$25,261	\$5,223,974
B. Supplemental Cost	\$5,545,724	\$60,435	\$5,606,159
C. Compound Interest to Year End	<u>\$362,665</u>	<u>\$2,394</u>	<u>\$365,059</u>
D. Annual Required Contribution [A. + B. + C.]	\$11,107,102	\$88,090	\$11,195,192
<b>VI. Net OPEB Obligation</b>	\$47,677,463	\$215,623	\$47,893,086
<b>VII. Interest on net OPEB Obligation</b>	\$1,907,098	\$8,625	\$1,915,723
<b>VIII. Adjustment to ARC</b>	(\$2,423,846)	(\$10,962)	(\$2,434,808)
<b>IX. Annual OPEB Cost (Expense)</b> <b>[V.D. + VII. + VIII.]</b>	\$10,590,354	\$85,753	\$10,676,107
<b>X. Expected Benefit Payments</b>			
A. Retirees/Disableds	\$3,192,157	\$51,669	\$3,243,826
B. Active Employees	<u>\$163,502</u>	<u>\$0</u>	<u>\$163,502</u>
C. Total	\$3,355,659	\$51,669	\$3,407,328

**EXECUTIVE SUMMARY DETAIL**  
**GASB 45 LIABILITIES, ANNUAL REQUIRED CONTRIBUTION**  
**AND ANNUAL OPEB COST FOR 2014 BY GROUP**

	<u>Government</u>	<u>Safety</u>	<u>Education</u>	<u>Works</u>	<u>HHS</u>	<u>Recreation</u>	<u>Library</u>	<u>Sewer</u>	<u>Golf</u>	<u>Retirees</u>	<u>Total</u>
<b>I. Present value of Future benefits</b>											
A. Retirees/Disableds	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$56,106,641	\$56,106,641
B. Active Employees	\$9,323,595	\$30,189,214	\$69,889,666	\$5,884,625	\$530,134	\$891,343	\$2,208,430	\$2,624,469	\$335,672	\$0	\$121,877,148
C. Total	\$9,323,595	\$30,189,214	\$69,889,666	\$5,884,625	\$530,134	\$891,343	\$2,208,430	\$2,624,469	\$335,672	\$56,106,641	\$177,983,789
<b>II. Actuarial Accrued Liability</b>											
A. Retirees/Disableds	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$56,106,641	\$56,106,641
B. Active Employees	\$5,820,415	\$13,754,932	\$31,534,242	\$3,362,960	\$352,449	\$550,978	\$1,572,819	\$1,431,938	\$197,787	\$0	\$38,578,520
C. Total	\$5,820,415	\$13,754,932	\$31,534,242	\$3,362,960	\$352,449	\$550,978	\$1,572,819	\$1,431,938	\$197,787	\$56,106,641	\$114,685,161
<b>III. Actuarial Assets</b>	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
<b>IV. Unfunded Actuarial Accrued Liability (UAAL)</b>	\$5,820,415	\$13,754,932	\$31,534,242	\$3,362,960	\$352,449	\$550,978	\$1,572,819	\$1,431,938	\$197,787	\$56,106,641	\$114,685,161
<b>V. Annual Required Contribution (ARC)</b>											
A. Normal Cost	\$430,008	\$1,171,209	\$3,187,584	\$196,118	\$23,067	\$25,880	\$84,397	\$87,645	\$18,066	\$0	\$5,223,974
B. Supplemental Cost	\$260,081	\$683,818	\$1,542,747	\$161,212	\$17,720	\$29,445	\$77,423	\$72,609	\$8,739	\$2,752,365	\$5,606,159
C. Compound Interest to Year End	\$27,063	\$73,273	\$187,793	\$14,139	\$1,609	\$2,190	\$6,349	\$6,377	\$1,048	\$45,218	\$365,059
D. Annual Required Contribution [A. + B. + C.]	\$717,152	\$1,928,300	\$4,918,124	\$371,469	\$42,396	\$57,515	\$168,169	\$166,631	\$27,853	\$2,797,583	\$11,195,192
<b>VI. Net OPEB Obligation</b>	\$2,749,903	\$11,175,458	\$33,259,724	\$1,994,627	\$422,956	\$553,275	\$1,245,788	\$1,052,731	\$119,133	(\$4,680,509)	\$47,893,086
<b>VII. Interest on net OPEB Obligation</b>	\$109,996	\$447,018	\$1,330,389	\$79,785	\$16,918	\$22,131	\$49,832	\$42,109	\$4,765	(\$187,220)	\$1,915,723
<b>VIII. Adjustment to ARC</b>	(\$139,801)	(\$568,142)	(\$1,690,870)	(\$101,404)	(\$21,502)	(\$28,128)	(\$63,334)	(\$53,519)	(\$6,057)	\$237,949	(\$2,434,808)
<b>IX. Annual OPEB Cost (Expense)</b> [IV.D. + VII. + VIII.]	\$687,347	\$1,807,176	\$4,557,643	\$349,850	\$37,812	\$51,518	\$154,667	\$155,221	\$26,561	\$2,848,312	\$10,676,107
<b>X. Expected Benefit Payments</b>											
A. Retirees/Disableds	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$3,243,826	\$3,243,826
B. Active Employees	\$27,047	\$46,414	\$70,995	\$7,732	\$1,134	\$1,151	\$6,166	\$1,674	\$1,189	\$0	\$163,502
C. Total	\$27,047	\$46,414	\$70,995	\$7,732	\$1,134	\$1,151	\$6,166	\$1,674	\$1,189	\$3,243,826	\$3,407,328

**EXECUTIVE SUMMARY DETAIL**  
**GASB 45 LIABILITIES, ANNUAL REQUIRED CONTRIBUTION**  
**AND ANNUAL OPEB COST FOR 2015 BY BENEFIT**

	<u>Medical</u>	<u>Life</u>	<u>Total</u>
<b><i>I. Present value of Future benefits</i></b>			
A. Retirees/Disableds	\$54,251,660	\$774,047	\$55,025,707
B. Active Employees	<u>\$125,922,724</u>	<u>\$638,621</u>	<u>\$126,561,345</u>
C. Total	\$180,174,384	\$1,412,668	\$181,587,052
<b><i>II. Actuarial Accrued Liability</i></b>			
A. Retirees/Disableds	\$54,251,660	\$774,047	\$55,025,707
B. Active Employees	<u>\$65,766,853</u>	<u>\$437,464</u>	<u>\$66,204,317</u>
C. Total	\$120,018,513	\$1,211,511	\$121,230,024
<b><i>III. Actuarial Assets</i></b>	\$0	\$0	\$0
<b><i>IV. Unfunded Actuarial Accrued Liability (UAAL)</i></b>	\$120,018,513	\$1,211,511	\$121,230,024
<b><i>V. Annual Required Contribution (ARC)</i></b>			
A. Normal Cost	\$5,328,681	\$25,893	\$5,354,574
B. Supplemental Cost	\$6,000,828	\$63,433	\$6,064,261
C. Compound Interest to Year End	<u>\$380,795</u>	<u>\$2,534</u>	<u>\$383,329</u>
D. Annual Required Contribution [A. + B. + C.]	\$11,710,304	\$91,860	\$11,802,164
<b><i>VI. Net OPEB Obligation</i></b>	\$54,912,158	\$249,707	\$55,161,865
<b><i>VII. Interest on net OPEB Obligation</i></b>	\$2,196,487	\$9,988	\$2,206,475
<b><i>VIII. Adjustment to ARC</i></b>	(\$2,856,733)	(\$12,991)	(\$2,869,724)
<b><i>IX. Annual OPEB Cost (Expense)</i></b> <b><i>[V.D. + VII. + VIII.]</i></b>	\$11,050,058	\$88,857	\$11,138,915
<b><i>X. Expected Benefit Payments</i></b>			
A. Retirees/Disableds	\$3,227,954	\$51,968	\$3,279,922
B. Active Employees	<u>\$391,270</u>	<u>\$0</u>	<u>\$391,270</u>
C. Total	\$3,619,224	\$51,968	\$3,671,192

EXECUTIVE SUMMARY DETAIL

GASB 45 LIABILITIES, ANNUAL REQUIRED CONTRIBUTION

AND ANNUAL OPEB COST FOR 2015 BY GROUP

	<u>Government</u>	<u>Safety</u>	<u>Education</u>	<u>Works</u>	<u>HHS</u>	<u>Recreation</u>	<u>Library</u>	<u>Sewer</u>	<u>Golf</u>	<u>Retirees</u>	<u>Total</u>
<b>I. Present value of Future benefits</b>											
A. Retirees/Disableds	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$55,025,707	\$55,025,707
B. Active Employees	\$9,663,348	\$31,341,938	\$72,604,890	\$6,111,001	\$549,968	\$925,659	\$2,289,213	\$2,727,699	\$347,629	(\$0)	\$126,561,345
C. Total	\$9,663,348	\$31,341,938	\$72,604,890	\$6,111,001	\$549,968	\$925,659	\$2,289,213	\$2,727,699	\$347,629	\$55,025,707	\$181,587,052
<b>II. Actuarial Accrued Liability</b>											
A. Retirees/Disableds	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$55,025,707	\$55,025,707
B. Active Employees	\$6,472,852	\$15,475,844	\$36,038,284	\$3,693,554	\$389,380	\$598,758	\$1,717,215	\$1,578,659	\$223,274	\$16,497	\$66,204,317
C. Total	\$6,472,852	\$15,475,844	\$36,038,284	\$3,693,554	\$389,380	\$598,758	\$1,717,215	\$1,578,659	\$223,274	\$55,042,204	\$121,230,024
<b>III. Actuarial Assets</b>	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
<b>IV. Unfunded Actuarial Accrued Liability (UAAL)</b>	\$6,472,852	\$15,475,844	\$36,038,284	\$3,693,554	\$389,380	\$598,758	\$1,717,215	\$1,578,659	\$223,274	\$55,042,204	\$121,230,024
<b>V. Annual Required Contribution (ARC)</b>											
A. Normal Cost	\$440,758	\$1,200,489	\$3,267,274	\$201,021	\$23,644	\$26,527	\$86,507	\$89,836	\$18,518	\$0	\$3,354,574
B. Supplemental Cost	\$294,757	\$777,743	\$1,779,205	\$180,092	\$19,848	\$32,482	\$85,973	\$81,159	\$10,046	\$2,802,956	\$6,064,261
C. Compound Interest to Year End	\$28,101	\$76,822	\$198,636	\$14,820	\$1,666	\$2,305	\$6,624	\$6,742	\$1,093	\$46,520	\$383,329
D. Annual Required Contribution [A. + B. + C.]	\$763,616	\$2,055,054	\$5,245,115	\$395,933	\$45,158	\$61,314	\$179,104	\$177,737	\$29,657	\$2,849,476	\$11,802,164
<b>VI. Net OPEB Obligation</b>	\$3,410,203	\$12,936,220	\$37,746,372	\$2,336,745	\$459,634	\$603,642	\$1,394,289	\$1,206,278	\$144,505	(\$5,076,023)	\$55,161,865
<b>VII. Interest on net OPEB Obligation</b>	\$136,408	\$517,449	\$1,509,855	\$93,470	\$18,385	\$24,146	\$55,772	\$48,251	\$5,780	(\$203,041)	\$2,206,475
<b>VIII. Adjustment to ARC</b>	(\$177,411)	(\$672,990)	(\$1,963,705)	(\$121,566)	(\$23,912)	(\$31,404)	(\$72,536)	(\$62,755)	(\$7,518)	\$264,073	(\$2,869,724)
<b>IX. Annual OPEB Cost (Expense)</b> [IV.D. + VII. + VIII.]	\$722,613	\$1,899,513	\$4,791,265	\$367,837	\$39,631	\$54,056	\$162,340	\$163,233	\$27,919	\$2,910,508	\$11,138,915
<b>X. Expected Benefit Payments</b>											
A. Retirees/Disableds	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$3,279,922	\$3,279,922
B. Active Employees	\$66,000	\$115,360	\$161,138	\$21,203	\$3,701	\$2,753	\$13,774	\$4,882	\$2,456	\$3	\$391,270
C. Total	\$66,000	\$115,360	\$161,138	\$21,203	\$3,701	\$2,753	\$13,774	\$4,882	\$2,456	\$3,279,925	\$3,671,192

## Section II

# Census Information

This section details statistics related to the participants in the postretirement benefit plan.

**CENSUS INFORMATION – A.**

**EMPLOYEE COUNTS**

	<i>As of October 1, 2014</i>			<i>As of November 1, 2012</i>		
	<u>Actives</u>	<u>Retirees</u>	<u>Total</u>	<u>Actives</u>	<u>Retirees</u>	<u>Total</u>
Male	428	243	671	412	257	669
Female	<u>650</u>	<u>313</u>	<u>963</u>	<u>632</u>	<u>310</u>	<u>942</u>
Total	1,078	556	1,634	1044	567	1611

**COUNTS BY AGE AND ELIGIBILITY STATUS**

**ACTIVE EMPLOYEES :**

<i>Age</i>	<i>Currently Eligible to Retire</i>	<i>Not Currently Eligible to Retire</i>	<i>Total</i>
29 and under	0	154	154
30 - 34	0	163	163
35 - 39	0	118	118
40 - 44	5	99	104
45 - 49	18	104	122
50 - 54	37	106	143
55 - 59	68	61	129
60 - 64	80	27	107
65 and over	33	5	38
Total	236	837	1,078

**CURRENT RETIREES:**

<i>Age</i>	<i>Retirees</i>	<i>Spouse</i>	<i>Total</i>
54 and under	3	2	5
55 - 59	16	14	30
60 - 64	72	28	100
65 - 69	134	66	200
70 - 74	98	43	141
75 - 79	86	37	123
80 and over	147	56	203
Total	556	246	802

CENSUS INFORMATION – B.

AVERAGE AGE AND SERVICE

As of October 1, 2014

As of November 1, 2012

ACTIVE EMPLOYEES:

A. Average Age at Hire

Males	31.7	32.2
Females	36.9	37.2
Total	34.8	35.2

B. Average Service

Males	10.9	11.1
Females	8.5	9.1
Total	9.5	9.9

C. Average Current Age

Males	42.6	43.3
Females	45.4	46.3
Total	44.3	45.1

CURRENT RETIREES

D. Average Current Age

Males	72.6	71.9
Females	74.4	74.2
Total	73.6	73.2

## **Section III**

# **Financial Statement Disclosure**

**This section provides the required information and notes to the Financial Statements  
For the fiscal year ending June 30, 2015.**

**FINANCIAL STATEMENT DISCLOSURE**

The GASB standard on accounting for postretirement benefits other than pensions requires the following disclosures in the financial statements with regard to the retiree benefit liability:

**1.) GASB 45 DISCLOSURE FINANCIALS – ALL DIVISIONS**

<b>A. Annual OPEB Cost and Net OPEB Obligation</b>	<b>7/1/2014 - 6/30/2015</b>	<b>7/1/2015 - 6/30/2016</b>
1. Annual Required Contribution (ARC)	\$11,195,192	\$11,802,164
2. Interest on net OPEB Obligation	\$1,915,723	\$2,206,475
3. Adjustment to ARC	(\$2,434,808)	(\$2,869,724)
4. Annual OPEB Cost (Expense)	\$10,676,107	\$11,138,915
5. Contribution made (assumed middle of year) *	(\$3,407,328)	(\$3,671,192)
6. Increase in net OPEB Obligation	\$7,268,779	\$7,467,723
7. Net OPEB Obligation - beginning of year	\$47,893,086	\$55,161,865
8. Net OPEB Obligation - end of year	\$55,161,865	\$62,629,588

\* Contribution made was assumed to equal Expected Benefit Payments

The annual OPEB Cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal years ending 2015 / 2016 are as follows:

<b>Fiscal Year Ending</b>	<b>Annual OPEB Cost</b>	<b>Percentage of Annual OPEB Cost Contributed</b>	<b>Net OPEB Obligation</b>	<b>Covered Payroll</b>	<b>OPEB Cost % of Pay</b>
6/30/2015	\$10,676,107	31.9%	\$55,161,865	\$62,012,283	17.22%
6/30/2016	\$11,138,915	33.0%	\$62,629,588	\$63,562,590	17.52%

**B. Funded Status and Funding Progress**

<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets (a)</b>	<b>Actuarial Accrued Liability (AAL) (b)</b>	<b>Unfunded AAL (UAAL) (b - a)</b>	<b>Funded Ratio (a/b)</b>	<b>Covered Payroll (c)</b>	<b>UAAL as a Percentage of Covered Payroll (AAL) ((b - a) / c)</b>
7/1/2010	\$0	\$119,187,237	\$119,187,237	0.0%	\$60,836,610	195.9%
7/1/2012	\$0	\$120,981,624	\$120,981,624	0.0%	\$51,510,389	234.9%
7/1/2014	\$0	\$114,685,161	\$114,685,161	0.0%	\$62,012,283	184.9%

**C. Methods and Assumptions**

- Interest Rate	4.00%
- 2014 Medical Trend Rates	9.00%
- Ultimate Medical Trend Rate	5.00%
- Year Ultimate Trend Rates Reached	2018
- Actuarial Cost Method	Entry Age Normal
- The remaining amortization period at 06/30/2015	22.41
- Annual Payroll Increase	2.50%

### FINANCIAL STATEMENT DISCLOSURE

The GASB standard on accounting for postretirement benefits other than pensions requires the following disclosures in the financial statements with regard to the retiree benefit liability:

#### **2.) A BRIEF DESCRIPTION OF THE RETIREE MEDICAL AND LIFE INSURANCE PLANS:**

**a. Plan Types:**

**Medical**

Insured through the West Suburban Health Group. Pre Medicare Options: Harvard Pilgrim PPO, Blue Option RateSaver, Fallon Direct Rate Saver, Fallon Select Rate Saver, Harvard Pilgrim Rate Saver, Tufts Navigator Rate Saver.

Post Medicare Options: Medex III, HPHC Medicare Enhanced, Managed Blue for Seniors, Tufts Medicare Preferred HMO, Tufts Medicare Preferred Plus Plan, Fallon Senior Plan.

**Life Insurance**

Insured through Boston Mutual

**b. Eligibility:**

Age 55 or older with 10 years of service or any age with at least 20 years of service

**c. Benefit/Cost Sharing:**

The town covers 50% of the health and life insurance premium. The town contributes the corresponding percentages shown below for Medicare supplement plans. This decrease in percentage accounts for the Medicare part B reimbursement. After July 1, 2011 all employees are required to go into rate saver plans and the town covers 90% of medical premiums for Fire, 80% for Police, and 75% for all other groups.

**d. Spouse Benefit:**

The town covers 50% of the spouse's medical premium and 75% of rate saver family plans.

**e. Surviving Spouse Benefit:**

Yes. The town covers 50% of the surviving spouse's medical premium.

**FINANCIAL STATEMENT DISCLOSURE (cont.)**

*f. Annual Medical Premiums:*

**Effective July 1, 2014:**

**Non-Medicare Plans:**

	<b><u>Individual</u></b>	<b><u>Family</u></b>
Blue Option Rate Saver	\$8,880.00	\$23,808.00
Fallon Direct Rate Saver	\$6,156.00	\$16,536.00
Fallon Select Rate Saver	\$6,600.00	\$17,796.00
Harvard Pilgrim Rate Saver	\$7,740.00	\$20,184.00
Tufts Navigator Rate Saver	\$8,808.00	\$23,064.00
Harvard Pilgrim PPO	\$22,680.00	\$50,364.00
Tufts POS	\$0.00	\$0.00

**Effective January 1, 2014:**

**Medicare Plans:**

	<b><u>Per Person Covered</u></b>	<b><u>Retiree Contribution</u></b>
Medex III	\$3,739.56	33.17%
HPHC Medicare Enhance	\$3,939.96	34.02%
Tufts Medicare Preferred Plus	\$3,840.00	33.61%
Tufts Preferred HMO	\$3,024.00	29.19%
Managed Blue for Seniors	\$3,206.16	30.37%
Fallon Senior Plan	\$3,336.00	31.13%

- g. Annual Life Insurance Premium*      \$4.20 per \$5,000 of life insurance per annum

## Section IV

# Actuarial Assumptions And Methodology

The following pages detail the assumptions used in the calculations.

**ACTUARIAL ASSUMPTIONS AND METHODOLOGY**

1. **Funding Interest Rate:** An interest rate of 4.00% was used.
  
2. **Mortality:** For healthy participants: the mortality rates are from the RP-2000 Combined mortality table projected fully generationally with projection scale AA.  
For disabled participants: the mortality rates are from the RP-2000 Combined mortality table set forward 3 years for males.

3. **Retirement Rates:**

**Group 1**

<u>Age</u>	<u>Male</u>	<u>Female</u>
50	1.0%	1.5%
55	2.0%	5.5%
60	12.0%	5.0%
65	40.0%	15.0%
70+	100.0%	100.0%

**Group 4**

<u>Age</u>	<u>Unisex</u>
50	2.0%
55	15.0%
60	20.0%
65+	100.0%

**Teachers-Males/ Females**

<u>Age</u>	<u>&lt;20</u>	<u>20-29</u>	<u>30+</u>
55	5.0% / 3.0%	3.0% / 3.0%	6.0% / 5.0%
60	10.0% / 10.0%	25.0% / 20.0%	40.0% / 35.0%
62	20.0% / 12.0%	35.0% / 30.0%	35.0% / 35.0%
65	25.0% / 25.0%	40.0% / 40.0%	35.0% / 35.0%
70	100.0% / 100.0%	100.0% / 100.0%	100.0% / 100.0%

4. **Disability Rates:**

**Group 4**

<u>Age</u>	<u>Unisex</u>
20	0.1%
30	0.3%
40	0.3%
50	1.25%
60+	0.85%

**ACTUARIAL ASSUMPTIONS AND METHODOLOGY (cont.)**

**5. Termination Rates:**

**Group 1**

<u>Years of Service</u>	<u>Rate</u>	<u>Years of Service</u>	<u>Rate</u>
0	15.0%	20	2.0%
5	7.6%	25	1.0%
10	5.4%	30+	0.0%
15	3.3%		

**Group 4**

<u>Years of Service</u>	<u>Rate</u>
0-10	15.0%
11+	0.0%

**Teachers-Males/ Females**

<u>Age</u>	<u>Years of Service</u>		
	<u>0-4</u>	<u>5-9</u>	<u>10+</u>
20	13.0% / 10.0%	5.5% / 7.0%	1.5% / 5.0%
30	15.0% / 15.0%	5.4% / 8.8%	1.5% / 4.5%
40	13.3% / 10.5%	5.2% / 5.0%	1.7% / 2.2%
50	16.2% / 9.8%	7.0% / 5.0%	2.3% / 2.0%

- 6. Health Care Trend Rates:** It was assumed that health care costs would increase in accordance with the trend rates in the following table:

<u>Medical</u>	
<u>Year</u>	<u>Rates</u>
2014	9.0%
2015	8.0%
2016	7.0%
2017	6.0%
2018+	5.0%

**7. Participation Rate:**

It is assumed that 90% current active employees will enroll in retiree medical and life insurance coverage.

**ACTUARIAL ASSUMPTIONS AND METHODOLOGY (cont.)**

8. **Percent Married:** It was assumed that 65% of the male and 40% of the female employees who elect retiree health care coverage for themselves would also elect coverage for their spouse upon retirement. It was assumed that male spouses are three years older than their wives and female spouses are three years younger than the retiree. For current retirees, actual census information was used.

9. **Actuarial Value of Assets:** N/A

10. **Per Capita Claims Cost:** Per Capita Claim Costs were developed by applying morbidity aging factors to the average premium rates reflecting the demographic characteristics of the insured group. Below are sample annual per capita claim costs used:

<u>Age</u>	<u>Male</u>	<u>Female</u>
40	5,191	7,269
45	6,161	7,735
50	7,397	8,532
55	8,981	9,319
60	10,832	10,383
65	3,426	3,208
70	3,783	3,545
75	4,177	3,914
80	4,391	4,111

11. **Administrative expenses:** Included in premiums used.

12. **Participant Salary Increases:** 3.50% annually

13. **Payroll Growth Rate:** 2.50% annually

14. **High Cost Plan Excise Tax:** Effective in 2018. The law apply a 40% tax to the cost of plan benefits in excess of statutory thresholds, which are \$10,200 for single coverage and \$27,500 for family coverage for Medicare eligible retirees, and \$11,850 for single coverage and \$30,950 for family coverage for retirees who are between ages 55 and 65. We assume the thresholds will start to increase in 2018 at the rate of 3.47%. The plan costs for pre 65 and post 65 benefits are based on the plans' premium costs adjusted for aging and trended at the health care trend rates shown above.

## ACTUARIAL ASSUMPTIONS AND METHODOLOGY (cont.)

### ACTUARIAL COST METHOD

An Actuarial Cost Method develops an orderly allocation of the actuarial present value of benefits payments over the working lifetime of the participants in the plan. The actuarial present value of benefits allocated to a particular fiscal year is called the Normal Cost. The actuarial present value of benefits allocated to all periods prior to a valuation date is called the Actuarial Accrued Liability. The Unfunded Actuarial Accrued Liability is amortized over future years in accordance with the employer's established accounting policy.

The Entry Age Actuarial Cost Method is used in this valuation. Under this method, the Actuarial Present Value of Projected Benefits of each individual included in the Actuarial Valuation is allocated on a level basis over future earnings of the individual between entry age and assumed exit age(s). The portion of this Actuarial Present Value allocated to a valuation year is called the Normal Cost. The portion of this Actuarial Present Value not provided for at a valuation date by the Actuarial Present Value of future Normal Costs is called the Actuarial Accrued Liability.

The amortization of the unfunded actuarial accrued liability may be determined in level dollar amounts or as a level percentage of projected payroll of active plan members. The total unfunded actuarial accrued liability may be amortized as one amount, or components of the total may be separately amortized. The equivalent single amortization period for all components combined may not exceed the maximum acceptable period of 30 years. The results in Sections I and III are based on a 30 year amortization of the unfunded actuarial accrued liability as a level percentage of payroll. The development of the Annual Required Contribution under alternative amortization methods is provided in Appendix II.

### ADDITIONAL COMMENTS

The values in this GASB 45 valuation represent a closed group and do not reflect new entrants after the census collection date.

Section V

Appendices

APPENDIX - I.

ACTIVE EMPLOYEE BY AGE AND SERVICE

AS OF OCTOBER 1, 2014

Age	Service									Total
	0 - 4	5 - 9	10 - 14	15 - 19	20 - 24	25 - 29	30 - 34	35 - 39	40+	
0 - 19	1	0	0	0	0	0	0	0	0	1
20 - 24	28	0	0	0	0	0	0	0	0	28
25 - 29	111	13	1	0	0	0	0	0	0	125
30 - 34	97	60	5	1	0	0	0	0	0	163
35 - 39	39	50	25	4	0	0	0	0	0	118
40 - 44	26	24	35	14	5	0	0	0	0	104
45 - 49	40	20	22	22	12	6	0	0	0	122
50 - 54	26	40	20	20	13	19	5	0	0	143
55 - 59	26	31	26	17	11	12	4	2	0	129
60 - 64	14	13	22	19	7	20	6	5	1	107
65 - 69	1	3	5	6	9	3	3	1	0	31
70 - 74	0	1	2	1	2	0	0	0	1	7
75 - 79	0	0	0	0	0	0	0	0	0	0
80 - 84	0	0	0	0	0	0	0	0	0	0
85 and Over	0	0	0	0	0	0	0	0	0	0
Total	409	255	163	104	59	60	18	8	2	1,078

APPENDIX - II.

RECONCILIATION OF ACTUARIAL ACCRUED LIABILITY

a. 7/1/2012 Actuarial Accrued Liability	\$120,981,624
b. 2012 Normal Cost	\$5,639,530
c. Interest Rate	4.00%
d. Interest on (b. + c.)	\$5,064,846
e. 2012 Expected Benefit Payments	(\$3,706,618)
f. Interest on f.	<u>(\$73,406)</u>
g. 7/1/2013 Expected Actuarial Accrued Liability (a. + b. + d. + e. + f.)	\$127,905,976
h. 2013 Normal Cost	\$5,780,517
i. Interest Rate	4.00%
j. Interest on (g. + h.)	\$5,347,460
k. 2013 Expected Benefit Payments	(\$4,337,696)
l. Interest on l.	<u>(\$85,903)</u>
m. 7/1/2014 Expected Actuarial Accrued Liability (g. + h. + j. + k. + l.)	\$134,610,354
n. Change in Actuarial Accrued Liability due to	
i. Demographic and plan cost changes	(\$25,328,365)
ii. Change in Actuarial Assumptions	\$5,403,172
iii. Plan Change	<u>\$0</u>
iv. Total	(\$19,925,193)
o. 7/1/2014 Actuarial Accrued Liability (m. + n. iv.)	\$114,685,161

APPENDIX - III.

DEVELOPMENT OF AMORTIZATION PAYMENT

**A. Prior Bases**

1. Amortization Base Balance as of 7/1/2012	\$120,981,624
2. 2012 Amortization Payment	(\$5,507,177)
3. Interest	4.00%
4. Interest on (1) + (2)	<u>\$4,618,978</u>
5. Amortization Base Balance as of 7/1/2013 (1) + (2) + (4)	\$120,093,425
6. 2013 Amortization Payment	(\$5,963,783)
7. Interest	4.00%
8. Interest on (5) + (6)	<u>\$4,565,186</u>
9. Amortization Base Balance as of 7/1/2014 (5) + (6) + (8)	\$118,694,828
10. Remaining Amortization Period	24.23
11. Valuation Interest rate	4.00%
12. Assumed payroll growth	2.50%
13. 2014 Adjusted Amortization Amount	\$5,769,858

**B. New Amortization Base**

1. Experience (Gain)/Loss	(\$25,328,365)
2. Assumption Changes	\$5,403,172
3. Plan Change	\$0
4. Loss due to Funding timing	<u>\$15,915,526</u>
5. Total (1) + (2) + (3) + (4)	(\$4,009,667)
6. Remaining Amortization Period	30
7. Valuation Interest rate	4.00%
8. Assumed payroll growth	2.50%
9. Amortization Amount	(\$163,699)

**C. Combined Bases**

1. Amortization Base Balance as of 7/1/2014 (A.9. + B.5.)	\$114,685,161
2. 2014 Preliminary Total Amortization Amount (A.13. + B.9.)	\$5,606,159
3. 2014 Minimum Total Amortization Amount (30 year)	\$4,682,148
4. 2014 Total Amortization Amount (greater of 2. and 3.)	\$5,606,159

APPENDIX – IV

PROJECTED BENEFIT PAYMENTS

<u>Year</u>	<u>Amount</u>	<u>Accumulated</u>	<u>Year</u>	<u>Amount</u>	<u>Accumulated</u>
2014	\$ 3,407,328	\$ 3,407,328	2049	\$11,837,662	\$ 290,630,272
2015	\$ 3,671,192	\$ 7,078,520	2050	\$11,680,357	\$ 302,310,629
2016	\$ 4,013,735	\$ 11,092,255	2051	\$11,490,919	\$ 313,801,548
2017	\$ 4,282,138	\$ 15,374,393	2052	\$11,338,880	\$ 325,140,428
2018	\$ 4,498,359	\$ 19,872,752	2053	\$11,087,439	\$ 336,227,867
2019	\$ 4,709,454	\$ 24,582,206	2054	\$10,785,786	\$ 347,013,653
2020	\$ 4,923,575	\$ 29,505,781	2055	\$10,609,451	\$ 357,623,104
2021	\$ 5,139,227	\$ 34,645,008	2056	\$10,482,368	\$ 368,105,472
2022	\$ 5,427,680	\$ 40,072,688	2057	\$10,378,514	\$ 378,483,986
2023	\$ 5,735,862	\$ 45,808,550	2058	\$10,328,333	\$ 388,812,319
2024	\$ 6,026,721	\$ 51,835,271	2059	\$10,285,869	\$ 399,098,188
2025	\$ 6,331,693	\$ 58,166,964	2060	\$10,231,244	\$ 409,329,432
2026	\$ 6,622,522	\$ 64,789,486	2061	\$10,174,804	\$ 419,504,236
2027	\$ 6,913,382	\$ 71,702,868	2062	\$10,099,056	\$ 429,603,292
2028	\$ 7,187,019	\$ 78,889,887	2063	\$ 9,993,889	\$ 439,597,181
2029	\$ 7,434,421	\$ 86,324,308	2064	\$ 9,889,431	\$ 449,486,612
2030	\$ 7,671,091	\$ 93,995,399	2065	\$ 9,767,110	\$ 459,253,722
2031	\$ 7,910,446	\$ 101,905,845	2066	\$ 9,612,254	\$ 468,865,976
2032	\$ 8,188,842	\$ 110,094,687	2067	\$ 9,424,253	\$ 478,290,229
2033	\$ 8,382,661	\$ 118,477,348	2068	\$ 9,202,237	\$ 487,492,466
2034	\$ 8,609,788	\$ 127,087,136	2069	\$ 8,944,679	\$ 496,437,145
2035	\$ 8,899,976	\$ 135,987,112	2070	\$ 8,650,001	\$ 505,087,146
2036	\$ 9,217,907	\$ 145,205,019	2071	\$ 8,318,953	\$ 513,406,099
2037	\$ 9,482,679	\$ 154,687,698	2072	\$ 7,952,682	\$ 521,358,781
2038	\$ 9,777,187	\$ 164,464,885	2073	\$ 7,553,607	\$ 528,912,388
2039	\$ 10,149,022	\$ 174,613,907	2074	\$ 7,122,686	\$ 536,035,074
2040	\$ 10,557,275	\$ 185,171,182	2075	\$ 6,665,898	\$ 542,700,972
2041	\$ 11,028,179	\$ 196,199,361	2076	\$ 6,188,423	\$ 548,889,395
2042	\$ 11,418,019	\$ 207,617,380	2077	\$ 5,694,721	\$ 554,584,116
2043	\$ 11,600,730	\$ 219,218,110	2078	\$ 5,191,379	\$ 559,775,495
2044	\$ 11,797,018	\$ 231,015,128	2079	\$ 4,688,173	\$ 564,463,668
2045	\$ 11,908,772	\$ 242,923,900	2080	\$ 4,191,741	\$ 568,655,409
2046	\$ 11,920,042	\$ 254,843,942	2081	\$ 3,709,342	\$ 572,364,751
2047	\$ 11,960,716	\$ 266,804,658	2082	\$ 3,247,405	\$ 575,612,156
2048	\$ 11,987,952	\$ 278,792,610	2083	\$ 2,812,997	\$ 578,425,153
			2084	\$ 2,410,167	\$ 580,835,320
			2085	\$ 2,042,370	\$ 582,877,690
			2086	\$ 1,710,915	\$ 584,588,605
			2087	\$ 1,417,123	\$ 586,005,728
			2088	\$ 1,160,639	\$ 587,166,367
			2089	\$ 939,818	\$ 588,106,185
			2090	\$ 752,435	\$ 588,858,620
			2091	\$ 595,842	\$ 589,454,462
			2092	\$ 466,468	\$ 589,920,930
			2093	\$ 360,814	\$ 590,281,744
			2094	\$ 275,850	\$ 590,557,594
			2095	\$ 208,397	\$ 590,765,991
			2096	\$ 155,310	\$ 590,921,301
			2097	\$ 114,154	\$ 591,035,455
			2098	\$ 82,771	\$ 591,118,226
			2099	\$ 59,174	\$ 591,177,400
			2100	\$ 41,655	\$ 591,219,055
			2101	\$ 28,868	\$ 591,247,923
			2102	\$ 19,706	\$ 591,267,629
			2103	\$ 13,251	\$ 591,280,880
			2104	\$ 8,778	\$ 591,289,658
			2105	\$ 5,715	\$ 591,295,373
			2106	\$ 3,677	\$ 591,299,050
			2107	\$ 2,333	\$ 591,301,383
			2108	\$ 1,453	\$ 591,302,836
			2109	\$ 882	\$ 591,303,718
			2110	\$ 524	\$ 591,304,242
			2111	\$ 298	\$ 591,304,540
			2112	\$ 157	\$ 591,304,697
			2113	\$ 82	\$ 591,304,779
			2114	\$ 41	\$ 591,304,820
			2115	\$ 17	\$ 591,304,837
			2116	\$ 8	\$ 591,304,845
			2117	\$ 5	\$ 591,304,850
			2118	\$ 3	\$ 591,304,853

**APPENDIX – V**  
**GLOSSARY**

**Actuarial Accrued Liability.** The portion, as determined by a particular Actuarial Cost Method, of the present value of benefits which is not provided for by future Normal Costs.

**Actuarial Cost Method.** A procedure for determining the Actuarial Present Value of Total Projected Benefits and for developing an actuarially equivalent allocation of such value to time periods, usually in the form of a Normal Cost and an Actuarial Accrued Liability.

**Actuarially Equivalent.** Of equal Actuarial Present Value, determined as of a given date with each value based on the same set of Actuarial Assumptions.

**Actuarial Present Value of Total Projected Benefits.** The present value, as of the valuation date, of the cost of future benefits to be paid to employees, retirees, and covered dependents, discounted to reflect the expected effects of the time value (present value) of money and the probabilities of payment. It is the amount that would have to be invested on the valuation date so that the amount invested plus investment earnings will provide sufficient assets to pay total projected benefits when due.

**Annual OPEB Cost.** The accrual-basis measure of the periodic cost of an employer's participation in a defined benefit OPEB Plan.

**Annual Required Contributions of the Employer (ARC).** The employer's periodic required contributions to a defined benefit OPEB plan, calculated in accordance with the parameters defined in GAS 45.

**Investment Return Assumption (Discount Rate).** The rate used to adjust a series of future benefit payments to reflect the time value of money.

**Healthcare Cost Trend Rate.** The rate of change in per capita health claims costs over time as a result of factors such as medical inflation, utilization of healthcare services and technological developments.

**Net OPEB Obligation.** The cumulative difference since the effective date of GAS 45 between the annual OPEB cost and the employer's contributions to the plan.

**Normal Cost.** The portion of the Actuarial Present Value of plan benefits which is allocated to a valuation year by the Actuarial Cost Method.

**OPEB.** Postemployment benefits other than pension benefits.

**Pay-As-You-Go.** The amount of the benefits paid out to plan participants during the year.

**Per Capita Claims Cost.** The current average annual cost of providing postretirement health care benefits per individual.

**Supplemental Cost.** The amount of the Annual Required Contribution attributable to the amortization of the unfunded Actuarial Accrued Liability.